

Minutes of the  
Board of Minerals and Environment Meeting  
Matthew Environmental Education and Training Center  
523 East Capitol Avenue  
Pierre, South Dakota

10:00 a.m. CDT  
August 21, 2003

CALL TO ORDER AND ROLL CALL: Chairman Richard C. Sweetman called the meeting to order. Secretary Kathy Johnson noted that a quorum was present.

BOARD MEMBERS PRESENT: Richard Sweetman, Lee McCahren, Kathy Johnson, Linda Hilde, Chuck Monson, Wilbert Blumhardt, and Mike DeMersseman.

BOARD MEMBERS ABSENT: Pat Healy and Brian Radke.

OTHERS PRESENT: See attached attendance sheet.

APPROVAL OF MINUTES FROM JULY 17, 2003, MEETING: Motion by DeMersseman, seconded by Hilde, to approve the minutes from the July 17, 2003, Board of Minerals and Environment meeting, as mailed. Motion carried.

SURFACE MINING ISSUES: Lee McCahren administered the oath to Eric Holm who testified regarding transfers of liability and releases of liability (see attached matrix sheet).

Release of Liability: Motion by Blumhardt, seconded by Monson, to transfer liability for one site in Davison County from Schladweiler Construction, Mitchell, SD, Mine License No. 83-167 to T.F. Luke & Sons, Inc., Kimball, SD, Mine License No. 83-11. Motion carried.

Releases of Liability: Motion by Monson, seconded by DeMersseman, to release liability for Harold Kinyon, Plankinton, SD, Mine License No. 87-352, two sites in Aurora County; release liability for Darwin Mandel Construction, Inc., Huron, SD, Mine License No. 83-81, one site in Beadle County; release liability for Schladweiler Construction, Mitchell, SD, Mine License No. 83-167, two sites in Aurora County; Edmunds County Highway Department, Ipswich, SD, Mine License No. 83-161, one site in McPherson County; Hyde County Highway Department, Highmore, SD, Mine License No. 83-88, two sites in Hyde County; and Spink County Highway Department, Redfield, SD, Mine License No. 83-115, one site in Beadle County and one site in Clark County. Motion carried.

OIL AND GAS HEARING CASE NO. 3-2003 IN THE MATTER OF THE APPLICATION OF CONTINENTAL RESOURCES, INC. ENID, OKLAHOMA: Chairman Sweetman turned the gavel over to Lee McCahren, who was appointed as hearing chairman for this matter. Mr. McCahren opened the hearing at 10:20 a.m.

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The purpose of the hearing was to consider Case No. 3-2003, the application of Continental Resources, Inc., for an Order to amend all previous Board Orders and all previously issued Underground Injection Control (UIC) permits for injection wells in the Buffalo Red River Unit, the South Buffalo Red River Unit, and the West Buffalo Red River Unit, Buffalo Field, Harding County, SD, to authorize the installation of automatic and continuous pressure monitoring devices on all UIC wells to meet mechanical integrity testing requirements.

Roxanne Giedd, Assistant Attorney General, represented the Department of Environment and Natural Resources.

Lawrence Bender, attorney from Bismarck, ND, represented Continental Resources. John Brown, attorney from Pierre, appeared as local counsel.

No petitions to intervene were submitted and no one from the public appeared at the hearing.

Ron Miller, production manager for Continental Resources, was administered the oath by Mr. McCahren and testified regarding the application.

Exhibits offered and received into the record for Continental Resources, Inc.:

Exhibit 1 - Section map showing the location of the different units, well spots and numbers.

Exhibit 2 - Generalized vertical injection well schematic with packer completion.

Exhibit 3 - Wellhead schematic - Option 1: casing pressure recorded on 30-day chart. Charts changed monthly and kept on file in Buffalo Office.

Exhibit 4 - Wellhead schematic - Option 2: pressure transducer reads casing pressure and data is transmitted by radio to the office computer. Data is stored on the computer and reports are printed as necessary.

Exhibit 5 - Reasons for continuous pressure monitoring instead of periodic pressure testing.

Fred Steece, oil and gas supervisor, DENR, was administered the oath by Mr. McCahren. He testified that notice of the public hearing was published April 10 and 17, 2003, in the Nation's Center News, Black Hills Pioneer, Pierre Capital Journal, and Rapid City Journal. Affidavits of Publication are on file at the DENR office in Rapid City.

The following previous Board Orders would be amended: Order Nos. 1-83, 10-86, 14-86, 3-87, 15-89, 3-91, 1-97, 2-2002, and any other relevant Oil and Gas Order issued concerning the Buffalo Red River Unit, West Buffalo Red River Unit, and South Buffalo Red River Unit.

The Department of Environment and Natural Resources recommended conditional approval of the application.

Sheldon Hamann, senior hydrologist with the DENR Ground Water Quality Program, was administered the oath by Mr. McCahren. Mr. Hamann testified regarding Continental's proposal and the following conditions.

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1. A minimum tubing/casing annulus pressure of 100 pounds per square inch (p.s.i.) shall be established on each well.
2. Continental shall submit a monthly report summarizing the daily pressure data recorded on the continuous monitoring device placed on the tubing/casing annulus. If Continental also records the daily pressure data on the surface casing annulus, the monthly report shall also summarize this pressure data. The underlying data shall be made available to DENR upon request. If a chart recorder is placed on the continuous monitoring device utilized by Continental, a copy of any such chart shall be provided to DENR along with the monthly report.
3. If Continental works-over any well, it shall notify DENR of the new tubing/casing annulus pressure established, which shall thereafter be considered the "initial pressures." Such notification shall be in writing. A well that is worked-over may not resume operation until it has passed a Mechanical Integrity Test.
4. Continental shall notify DENR in writing that continuous monitoring devices have been placed on the wells by indicating the well and the date that the continuous monitoring device was placed on the well. Such notice shall include the tubing/casing annulus pressure established when the continuous monitoring device was placed on the well, which pressure shall thereafter be considered the "initial pressure."
5. Continental shall shut-in any well that exhibits pressure failure within twenty-four hours. "Pressure failure" shall be deemed to exist when the tubing/casing annulus pressure increases or decreases by fifty percent of its initial pressure or 500 p.s.i. whichever is less. In addition, "pressure failure" shall be deemed to exist when there is a steady decline or increase in the tubing/casing annulus pressure over a period of sixty days that cannot be explained by injection activity or climatic conditions.
6. After each well has been operated with a continuous monitoring device on the tubing/casing annulus for a period of one year, the Secretary shall review the pressure data and determine well specific criteria for "pressure failure."
7. No well that has been shut-in due to "pressure failure" may resume operation until the well has passed a Mechanical Integrity Test.

Mr. Hamann and Mr. Miller answered questions from the board regarding the conditions.

Mr. McCahren requested board action.

Motion by Blumhardt, seconded by DeMersseman, to conditionally approve Oil and Gas Case No. 3-2003 in the matter of the application of Continental Resources, Inc., for an Order to amend all previous Board Orders and all previously issued Underground Injection Control (UIC) permits for injection wells in the Buffalo Red River Unit, the South Buffalo Red River Unit, and the West Buffalo Red River Unit, Buffalo Field, Harding County, SD, to authorize the

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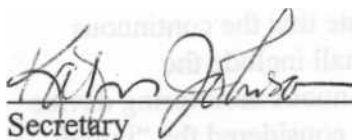
installation of automatic and continuous pressure monitoring devices on all UIC wells to meet mechanical integrity testing requirements. Motion carried.

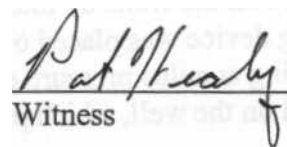
Motion by Johnson, seconded by Blumhardt, to adopt the Findings of Fact, Conclusions of Law and Order, and to authorize Mr. McCahren to execute the Order. Motion carried.

Mr. McCahren turned the gavel back over to Chairman Sweetman.

OTHER BUSINESS: The next meeting of the Board of Minerals and Environment is September 17, 18, and 19, 2003. The board will hold its regular meeting at 1:00 p.m. MDT on September 17, 2003, at the Golden Hills Inn in Lead. On September 18, the board will tour several mine sites in the Lead-Deadwood area. On September 19, the board will travel to Harding County to view an oil and gas horizontal drilling operation.

ADJOURN: Chairman Sweetman declared the meeting adjourned at noon.

  
Secretary \_\_\_\_\_ Date 9/17/03

  
Witness \_\_\_\_\_ Date 9/17/03

## BOARD OF MINERALS AND ENVIRONMENT MEETING

Date 8-21-03

## REPRESENTING

[illegible]

# South Dakota Board of Minerals & Environment

**August 21, 2003**

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License/Permit Holder	License/ Permit	Site No.,	Surety Amt.	Surety No.	Surety Company/Bank	DENR Recommendation
<b>Transfer of Liability:</b>						
Schladweiler Construction Mitchell, SD	83-167		\$2,500	3224	Live Stock State Bank, Mitchell	Transfer liability.
		<b>167019</b>	S1/2 Section 30; T104N-R62W, Davison			
Transfer to:						
T.F. Luke & Sons, Inc. Kimball, SD	83-11		\$20,000	929211763	American Casualty Company of Reading, PA	
<b>Releases of Liability:</b>						
Harold Kinyon Plankinton, SD	87-352		\$2,500	55-112418	United Fire & Casualty Company	Release liability.
		<b>352003</b>	NE1/4 Section 36; T101N-R64W, Aurora			
		<b>352007</b>	Section 31; T104N-R63W, Aurora			
Darwin Mandel Construction Inc. Huron, SD	83-81		\$2,500	8609	Dakotaland Federal Credit Union, Huron	Release liability.
		<b>81002</b>	SE1/4 Section 11; T110N-R62W, Beadle			

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<b><u>Releases of Liability:</u></b>						
Schladweiler Construction Mitchell, SD	83-167		\$2,500	3224	Live Stock State Bank, Mitchell	Release liability.
		<b>167011</b>	NW1/4 Section 32; T101N-R65W, Aurora			
		<b>167018</b>	SE1/4 Section 13; T103N-R63W, Aurora			
Edmunds County Highway Department Ipswich, SD	83-161		EXEMPT	NA	NA	Release liability.
		<b>161012</b>	SW1/4 Section 23; T125N-R72W, McPherson			
Hyde County Highway Department Highmore, SD	83-88		EXEMPT	NA	NA	Release liability.
		<b>88007</b>	SW1/4 Section 9; T110N-R71W, Hyde			
		<b>88004</b>	NW1/4 Section 25; T112N-R71W, Hyde			
Spink County Highway Department Redfield, SD	83-115		EXEMPT	NA	NA	Release liability.
		<b>115010</b>	SE1/4 NE1/4 Section 16; T113N-R60W, Beadle			
		<b>115003</b>	NW1/4 Section 26; T118N-R59W, Clark			